



## ACER Consultation on the REMIT Technical Standards for Trade Reporting

### The EDF Group Response

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May 7, 2013

EDF Group welcomes ACER's public consultation on REMIT Technical Standards for trade reporting. As a general comment, we believe that the envisaged technical requirements should aim at (i) harmonizing reporting frameworks under financial Regulations (MiFID and EMIR) and (ii) avoiding any risk of double reporting

#### STANDARDS AND FORMAT FOR REPORTING

- 1. Do you agree that for the reporting of energy derivatives, the same standards applicable to the values taken by each field of information should apply under REMIT as under MiFID and EMIR?*

The use of the same standards for reporting information on energy derivatives under REMIT and the relevant financial legislation is fundamental in order to avoid double reporting and help enhance the interoperability of the reporting systems set by those legislative acts. Therefore, we believe that the harmonization of reporting obligations under REMIT and the financial Regulation (MiFID and EMIR) should be targeted even if the scope and the purpose of transaction reporting are different. We would like to add that the technical standards for EMIR<sup>1</sup> have entered into force since December 2012 and that a significant harmonization effort is essential especially when the same trade repositories established according to EMIR are required to report to ACER transactions and contracts falling under the scope of REMIT.

Furthermore fundamental open questions to the scope of the transaction reporting requirements which has implications of the reporting fields and standards require addressing by ACER with clarification of whether REMIT standard transaction reporting includes derivative transactions (swaps, options and futures) and intra-group transactions.

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<sup>1</sup> EU 1247/2012 – Regulation laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories.



*II. What single standard and single format do you think the Agency should recognise:*

- a) For reporting of transactions from organised market places that are exchanges*
- b) For reporting of transactions from organised market places that are not exchanges*
- c) For reporting of transactions through confirmation services*
- d) For reporting of electricity nominations / scheduling*
- e) For reporting of gas nominations / scheduling*

a) EDF Group supports the use of Financial Information Exchange (FIX) protocol as an electronic trade message standard for reporting of derivative transactions from organised market places that are exchanges. Although there is no *de facto* standard in the Exchange industry the FIX protocol from EDF Group's perspective is the most widely used in the derivatives markets for cleared products. EDF Group proposes organised market places are best placed for reporting of transactions at the point of trade execution to ACER and hence the FIX protocol would have the least IT impact to the Exchange community to adapt their systems.

b) There is no single platform for OTC transactions in organised market places (not exchanges). In the European energy markets the Trayport European Energy Network has probably the most market coverage with a large number of broker platforms using the same Trayport technology. Its electronic trade message for trades and orders is based on GlobalVision Trading Gateway XML. In light of this EDF Group would advocate using this as a standard for transaction reporting where applicable. EDF Group proposes organised market places for OTC transactions are best placed for reporting of orders and transactions at the point of trade execution. This would be the least impacting from a delivery cost solution.

c) EDF Group supports the EFETnet Central Matching Service (CMS) Electronic Confirmation Matching (eCM) as the standard for reporting of transactions through confirmation services. The eCM electronic message format is based on open Commodity Mark-Up Language (CpML). We however strongly advise that transaction reporting is based on trade execution platforms as opposed to confirmation systems due to the timely reporting requirements of regulatory reporting. In light of this, transaction reporting would be better served at the point of trade execution (including unique trade identifier generation) as opposed to waiting for the confirmation process which is further down the deal-life cycle.

d) EDF Group supports the ENTSO-E electronic nomination standard for reporting of electricity nominations / scheduling. However the current TSO nomination systems are based on different market implementations and interpretation of the ENTSO-E standard. In addition not all European markets have adopted the ENTSO-E format. Furthermore nominations from ETRM systems are based on aggregated data and therefore the implications at transaction level reporting would require a detail assessment by ACER if this complies with transaction level reporting.

f) EDF Group supports the ENTSO-G electronic nomination standard for reporting of gas nominations / scheduling. However the current TSO nomination systems are based on different market



implementations and interpretation of the ENTSO-G standard. In addition not all European markets have adopted the ENTSO-G format. Furthermore nominations from ETRM systems are based on aggregated data and therefore the implications at transaction level reporting would require a detail assessment by ACER if this complies with transaction level reporting.

As regards the standard format for gas nominations / scheduling, we may eventually suggest to consider that a wide number of European market participants is currently using EDIG@s which is also suggested as a data format in the draft European Network Code Interoperability and Data Exchange Rules for document based data exchange and integrated data exchange. As correctly highlighted also by PWC and Ponton<sup>2</sup> the use of EDIG@s-XML data format needs further standardization at European level since there are still some differences in its utilization. Nevertheless, it seems that ENTSO-G is committed to coordinate and facilitate the implementation of the data exchange solutions envisaged in the draft network code, so that the use of the same data format for REMIT reporting could be the solution which minimizes the costs to be borne by gas TSOs.

Finally, would like to point out that for d) and e), TSOs manage electricity and gas scheduling and nominations' transactions in an aggregated form that do not allow any individualization of transactions. We understood from the ACER Second Guidance that the reporting of such transactions will be the responsibility of the TSOs. This means the level of details regarding transactions will necessary differ at the different step of the lifecycle of the transaction

*III. The Agency has identified a set of common standard codes which it proposes being used in the new reporting framework (see Annex I). Do you think these standards are the relevant ones?*

The standard codes developed by the International Organization for Standardization (ISO) proposed by ACER are extensively used and sufficiently widespread to be exploited for the transaction reporting system established by the Agency to comply with the obligations set by article 8 of REMIT.

EDF Group does not agree with the rational of using ISIN and Aii standard codes as product codes for energy derivatives as specified in Annex I when the taxonomy for Unique Product Identifier has been stated in Annex II and captures the definition of the product. ISIN and Aii codes relate to energy derivatives and as such ACER needs to provide clarity whether derivatives transaction reporting is within the scope of REMIT transaction reporting. If it is not within the scope then ISI and Aii codes would not be relevant as a standard for the reporting framework for power and gas physicals under REMIT and should be removed from Annex I.

The standard codes used to identify the market participants and its counterparty on the energy market should be added to the proposed list. ACER has already suggested a list of viable identification codes

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<sup>2</sup> "REMIT Technical advice for setting up a data reporting framework", June 2012.



of market participants in the Annexes of its Recommendations published on October 23rd 2012. Therefore, in addition to the standard codes defined in Annex I, EDF Group recommends that standards and taxonomy used for the Universal Trade Identifier (UTI), Legal Entity Identifier (LEI) and Unique Product Identifier (UPI) are aligned between ACER and ESMA. The taxonomy of these should be defined in Annex II. Ensuring the same standard definition of reporting fields is important from a cost of implementation perspective reducing the development and complexity of changes to Energy Trading & Risk Management systems (ETRM) as well as interoperability between the reporting systems for ACER and ESMA.

Once the ACER unique identifier is assigned, all the codes used by counterparties must be communicated in the registration phase in order to identify market participants with these existing codes.

*IV. If a format is recognized by the Agency, what governance provisions should the Agency require to ensure the quality persists?*

ACER should seek to implement robust change control management processes to ensure format changes are evaluated for consideration beforehand with full impact and risk assessment undertaken. To ensure all changes are managed effectively ACER should seek to implement a quality assurance process including establishing a governance board.

*V. Do you have comments on these standards?*

The ACER transaction reporting standard leveraging the ISO coding standards as specified in Annex I, where applicable, is a prudent way forward and would advocate consistency in the use of standards between REMIT and EMIR. As stated in point III, ISIN and Aii standard codes in our opinion are not relevant for transaction reporting for power and gas physicals.

In terms of file format, EDF Group advocates that where transactions are executed on Exchange, Broker and TSO platforms that these are reported directly to ACER using their file formats (adapted to ACER standards where required). This is in order to minimise the costs of implementation and change to the industry. As stated in point II, the European energy industry currently does not have a common file format for data exchange of transaction level data and to introduce one in the remaining timescales for REMIT regulatory reporting is not practicable.

*VI. What are the practical implications of the use of these standards and formats for the energy industry?*

The use of new standards and formats can have financial and operational impacts on the energy industry since it implies either the update of data management software (e.g. Open Link) or specific



adaptations of the internal IT systems of the concerned market operators. These last interventions may require a significant amount of time to be successfully implemented, e.g. 3 or 6 months.

As far as the impact on IT systems and processes will be substantial and in order to reduce operational risk, we once again strongly advise ACER and ESMA to share the same standards and taxonomy where appropriate.

*VII. Are there other formats and standards the Agency should consider for recognition?*

### **ON THE TAXONOMY**

*VIII. Do you think that the taxonomy proposed in Annex II is the relevant one?*

The taxonomy for the Unique Product Identifier is already contained within the other data fields of the transaction reporting schema. EDF Group recommends ACER follows the ESMA approach whereby this field is optional providing that the UPI data elements are reported through other data fields within the transaction reporting schema.

*IX. Do you think the first criteria on the delivery market (as country) should rather be the delivery zone or bidding zone?*

Providing setting up taxonomy is relevant (as per point VIII), it should be aimed at simplifying at most the categorization of contracts. Therefore the reference to the country as delivery market seems to be sufficient since the delivery zone or bidding zone of a specific contract, where different from a country, can be included among the information items to be communicated to ACER for market monitoring purposes.

*X. Does the taxonomy represent your view of the structure of the wholesale energy markets relevant to REMIT? For each dimension, are the categories given exhaustive? If not, please offer suggestions.*

Providing setting up taxonomy is relevant (as per point VIII), and as regards the duration of the contract, we suggest to add a category including quarterly contracts (distinguished from seasonal contracts) which are significant products exchanged on many market platforms.

Furthermore, the categories proposed under the "Profile type" dimensions may not reflect all the products available (e.g. the ones with delivery only on working days etc.) whereas the increasing flexibility of delivery profiles risks making the proposed categories obsolete very soon. Thus, when the categorization implies some simplifications the criteria used to categorize contracts should be clearly defined whereas the taxonomy should be regularly updated after consultation of market participants.



*XI. Should Regulated Information (Transparency/Inside Information) be categorized using at least the first two criteria of the taxonomy?*

Providing setting up taxonomy is relevant (as per point VIII), the identification of the relevant market (e.g. country code) and the concerned commodity (electricity and gas) seems to be sufficient to categorize transparency and inside information. As regards inside information, it should be also considered that specific events having a significant impact on wholesale energy products may not directly involve one specific commodity. In these cases the energy product type should be identified considering the products on which the information concerned can potentially have an impact.

*XII. Would you suggest any simplifications or additions to the taxonomy?*

As per point VIII, the taxonomy for the Unique Product Identifier is already contained within the other data fields of the transaction reporting schema. EDF Group recommends ACER follows the ESMA approach whereby this field is optional providing that the UPI data elements are reported through other data fields within the transaction reporting schema.

Furthermore we strongly recommend ACER to co-ordinate the taxonomy for the definition of the LEI and UTI data fields with ESMA to ensure that the same convention is used to avoid additional complexity and additional costs to adapting ETRM systems.

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